

CONGRESSIONAL CHINA CURRENCY ACTION COALITION
“Section 301” Petition
Demanding Action Against China’s Currency Manipulation
FACT SHEET

WHO: The Congressional China Currency Action Coalition is a group of Senators and Members of the House of Representatives who represent U.S. workers, farmers, family-owned businesses, and other businesses injured by China’s policy of manipulating the value of its currency.

WHAT, WHERE & WHEN: The Congressional China Currency Action Coalition is filing a “Section 301” petition with the United States Trade Representative (USTR) on September 30. The petition seeks the immediate elimination of the undervaluation of China’s currency. If China refuses to eliminate the undervaluation, the petition calls on USTR to file a formal dispute settlement case in the World Trade Organization (WTO) to vindicate U.S. rights under the WTO.

WHY: China purposely undervalues its currency. The Section 301 petition filed by the Congressional China Currency Action Coalition calls on the Bush Administration to take action on China’s currency manipulation. By rigging its currency at a level that independent experts estimate at between 15 and 40 percent below its appropriate value, China is giving a subsidy to its imports to the United States and imposing a direct cost on U.S. exporters to China.

China’s currency manipulation violates its WTO obligations. China’s policy of manipulating the value of its currency to keep it artificially low is a violation of several of China’s obligations under the WTO – it provides an export subsidy for Chinese products in violation of Article 3.1(a) of the WTO Agreement on Subsidies and Countervailing Measures; it violates GATT Article XV(4)’s prohibition on using exchange action to “frustrate the intent” of the WTO agreement; it violates several other WTO obligations, as well. Yet, USTR has refused to file a claim against China in the WTO.

China’s currency manipulation hurts U.S. workers, farmers and businesses. This unfair advantage has hurt U.S. manufacturers, workers, and farmers. Since 2001, the U.S. trade imbalance with China has grown by 50%, to over \$120 billion. The imbalance – by far the biggest trade imbalance ever in U.S. history – is on pace to grow almost another \$40 billion in 2004 alone.

WHAT ABOUT THE EARLIER PETITION: Earlier this month, a coalition of business and labor groups filed a similar Section 301 petition. The Bush Administration rejected it without even reading it. In its summary dismissal of the petition, USTR made three claims, each of which is without merit:.

Request for WTO Action, not tariffs. USTR's first claim was that the petition demanded imposition of tariffs, which USTR asserted would do more harm than good. While USTR was in fact distorting the relief requested in the previous petition, the petition filed today does not request the imposition of tariffs at all. Instead, the petition filed today demands that USTR take action by filing a WTO case against China if China does not immediately eliminate the undervaluation of its currency. This action will halt the endless delays and promises by China and create a formal process for ensuring that China ends its unfair currency manipulation.

No need for an investigation. USTR also claimed that there was no need for an investigation: "We do not need to conduct an extensive 301 investigation to know that we have serious concerns about China's currency policy." (Statement by USTR Spokesman Richard Mills on September 9, 2004.) Members of the Congressional China Currency Action Coalition fully agree with this statement — the evidence is clear that (1) China engages in currency manipulation, (2) China's currency manipulation violates WTO rules, and (3) China's currency manipulation hurts U.S. workers, farmers, and businesses. Consistent with USTR's assertion that there is no need for "an extensive 301 investigation," USTR should forego the usual 45-day petition review period, seek the immediate elimination of China's undervaluation and if China does not agree, immediately file a case in the WTO.

The "real"-ity is that Bush Administration has not made progress. The final basis for the rejection was USTR's claim that the Administration is getting "real results" on ending China's currency manipulation. As our constituents tell us repeatedly – this statement is just plain false. Worse, it sends a clear signal to China that the Bush Administration is willing to accept rhetorical pronouncements and insignificant gestures instead of concrete, meaningful and immediate action.

The "real results" are clear:

- China's currency continues to be pegged at the same fixed rate to the dollar — there has been no change;
- China continues to impose a wide variety of controls on currency transactions — the changes to date have been incremental and insignificant;
- The U.S. trade deficit with China continues to rise to record levels — on pace to exceed \$150 billion in 2004;
- The U.S. share of China's imports continues to fall — about 50% since 1998;
- U.S. workers, farmers, and businesses continue to be injured by undervalued imports from China;
- U.S. workers, farmers, and businesses continue to lost out on opportunities in China due to the unfair "currency tax."

The time for rhetoric about "real results" and apologies for China's inaction is over. It is time for action.